



## Molemole Municipality

Molemole Local Municipality  
(Registration number LIM353)

Financial statements  
for the year ended 30 June 2020

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2020

## General Information

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<b>Legal form of entity</b>	Local Goverment
<b>Nature of business and principal activities</b>	Performing the functions as set out in the Constitution (Act no 105 of 1996). Providing municipal services and maintaining the best interests of the local community mainly in the Mogwadi area.
<b>Mayor</b>	Cllr M E Paya
<b>Councillors</b>	Cllr E M Rathaha Cllr M S Moreroa Cllr N W Seakamela Cllr M P Tawana Cllr M D Lehong Cllr N F Rampyapedi Cllr M A Kobo Cllr P T Rathete Cllr R L Mpati Cllr S R Nakana Cllr M Q Malema Cllr M J Manthata Cllr G M Sepheso Cllr N S Ramukhubedu Cllr S E Kobola Cllr M Duba Cllr P S Masoga Cllr M P Makgato Cllr M L Moabelo Cllr N M Hopane Cllr D Matlou Cllr N G Makgalo Cllr M A Makgoka Cllr T Raphaswana Cllr M D Marutha Cllr M I Mohafe Cllr M D Meso Cllr P T Rakimane Cllr M J Leferefa Cllr M C Matjee Cllr M P Tloubatla
<b>Business address</b>	303 Church Street Mogwadi 0715
<b>Grading of local authority</b>	Level 3 Local Municipality
<b>Chief Finance Officer (CFO)</b>	Miss Khanyisile Zulu
<b>Accounting Officer</b>	Mr. ML Mosena
<b>Postal address</b>	Private Bag X44 Mogwadi 0715

**Molemole Local Municipality**  
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**General Information**

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<b>Bankers</b>	Nedbank
<b>Auditors</b>	Office of the Auditor General (Limpopo)
<b>Website Address</b>	<a href="http://www.molemole.gov.za">www.molemole.gov.za</a>
<b>Email Address</b>	<a href="mailto:info@molemole.gov.za">info@molemole.gov.za</a>
<b>Audit Committee chairperson</b>	<b>Mr SA Ngobeni</b>
<b>Audit Committee members</b>	Ms TE Monobe Mr ID Maredi Mr TA Lekoloane

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax

## **Molemole Local Municipality**

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### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

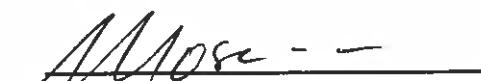
The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 5 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020 and were signed on its behalf by:

  
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Accounting Officer  
Mr ML Mosema

# **Molemole Local Municipality**

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## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2020.

### **1. Going concern**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **2. Accounting policies**

The financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### **3. Impact of Covid 19**

The World Health Organisation declared the outbreak of COVID-19 a global pandemic during March 2020. As COVID-19 started to spread around the world governments implemented various measures to contain the spread of the virus. In many countries this resulted in the temporary closure of businesses and restrictions on the movement of people and goods. The pandemic has had a significant impact on the global economy in terms of growth and unemployment. Like many countries South Africa has implemented lockdown regulations to curb the spread of Covid-19.

The South African government declared a nationwide lockdown with effect from 26 March 2020, requiring all non-essential businesses to close temporarily. South African lockdown regulations have since been relaxed and many parts of the economy were allowed to reopen from 1 May 2020, including the Local Government's limited operations. Under the Stage 5 lockdown which was in place from 26 March 2020 to 1 May 2020, the operations of the Municipality, apart from that of essential services was shut down.

During this shutdown, the Municipality's operations largely came to a halt and the operations were not fully operational other than deploying a limited number of employees into the system, although the Municipality still paid the staff's salaries. It is of course impossible to predict when normality will return, and when the country will be able to re-commence normal economic activities. The Municipality has been affected with regards to lost collection of revenue for the services the Municipality provided to the communities. This was as a result of economic hardships caused by an increased unemployment rate .

The Municipality acted swiftly and decisively to mitigate the impact of COVID-19 on its operations, including steps to reduce operational expenditure and conserve cash, access available government support schemes, and to minimise the disruption of account collections. In addition, strict COVID-19 protocols have been implemented across all areas of operation to ensure the safety of employees and customers. Notwithstanding these measures, the pandemic has had a severe impact on the Municipality's performance for the current period, most notably on revenue generation.

These impacts are covered in more detail throughout the annual financial statements. The impact of the pandemic on the Municipality's significant judgements and estimates applied in the preparation of its financial statements is discussed in the notes. While the uncertainty around COVID-19 is expected to continue for many months to come, the Municipality's strong balance sheet and ability to manage margins and costs effectively positions it to succeed in these challenging times.

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**Statement of Financial Position as at 30 June 2020**

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
Current Assets			
Inventories	8	261 304	194 483
Receivables from exchange transactions	9	2 948 813	3 533 520
Receivables from non-exchange transactions	10	73 012 570	62 324 632
VAT receivable	11	14 663 798	14 057 452
Cash and cash equivalents	12	23 010 966	19 373 209
		<b>113 897 451</b>	<b>99 483 296</b>
Non-Current Assets			
Investment property	3	1 657 668	1 701 001
Property, plant and equipment	4	271 048 211	248 284 378
Intangible assets	5	218 213	1 127 238
Heritage Assets	6	368 150	368 150
		<b>273 292 242</b>	<b>251 480 767</b>
<b>Total Assets</b>		<b>387 189 693</b>	<b>350 964 063</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	14	251 668	261 630
Payables from exchange transactions	19	27 758 072	21 456 509
Consumer deposits	20	504 476	503 126
Unspent conditional grants and receipts	15	1 236 937	2 234 275
Other current liability	17	119 771	95 506
Current Employee Benefits	18	8 204 405	6 556 430
		<b>38 075 329</b>	<b>31 107 476</b>
Non-Current Liabilities			
Finance lease obligation	14	-	251 676
Employee benefit obligation	7	7 628 000	9 007 514
Provisions	16	15 337 830	14 807 115
		<b>22 965 830</b>	<b>24 066 305</b>
<b>Total Liabilities</b>		<b>61 041 159</b>	<b>55 173 781</b>
<b>Net Assets</b>		<b>326 148 512</b>	<b>295 790 275</b>
Reserves			
Revaluation reserve	13	47 695 020	47 614 111
Accumulated surplus		278 453 495	248 176 165
<b>Total Net Assets</b>		<b>326 148 511</b>	<b>295 790 276</b>

\* See Note 51

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	10 503 009	9 870 892
Rental of facilities and equipment	23	254 705	456 493
Interest received - debtors	26	912 778	1 066 848
Commission Received	27	683 390	660 534
Licences and permits	25	3 123 723	3 598 079
Other income	28	203 607	257 775
Interest received - investment	29	1 729 419	1 820 125
<b>Total revenue from exchange transactions</b>		<b>17 410 631</b>	<b>17 730 746</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	30	20 010 884	14 572 846
Government grants & subsidies	31	182 145 339	177 221 330
Fines, Penalties and Forfeits	24	909 431	644 562
<b>Total revenue from non-exchange transactions</b>		<b>203 065 654</b>	<b>192 438 738</b>
<b>Total revenue</b>	21	<b>220 476 285</b>	<b>210 169 484</b>
<b>Expenditure</b>			
Employee related costs	32	(84 242 605)	(79 867 800)
Remuneration of councillors	33	(12 916 703)	(12 365 462)
Depreciation, amortisation and Impairment of assets	34	(16 392 466)	(12 277 161)
Finance costs	35	(254 063)	(234 960)
Debt Impairment	36	(5 811 925)	(4 494 247)
Bulk purchases	37	(10 107 196)	(9 046 417)
Contracted services	38	(26 876 466)	(27 322 893)
Loss on disposal of assets and liabilities	47	(161 471)	(1 550 539)
General Expenses	39	(33 436 060)	(47 955 410)
<b>Total expenditure</b>		<b>(190 198 955)</b>	<b>(195 114 889)</b>
<b>Surplus for the year</b>		<b>30 277 330</b>	<b>15 054 595</b>

\* See Note 51

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**Statement of Changes in Net Assets**

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	41 894 856	232 052 339	273 947 195
Corrections of error - see note 51	-	1 069 231	1 069 231
<b>Restated Balance at 01 July 2018</b>	<b>41 894 856</b>	<b>233 121 570</b>	<b>275 016 426</b>
Revaluation of Land and Buildings	5 719 255	-	5 719 255
Surplus for the year	-	15 054 595	15 054 595
<b>Balance at 01 July 2019</b>	<b>47 614 111</b>	<b>248 176 165</b>	<b>295 790 285</b>
Changes in net assets			
Revaluation of Land and Buildings	80 909	-	80 909
Surplus for the year	-	30 277 330	30 277 330
<b>Balance at 30 June 2020</b>	<b>47 695 020</b>	<b>278 453 495</b>	<b>326 148 524</b>

Note(s)

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\* See Note 51

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**Cash Flow Statement**

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services	43	20 687 721	20 771 495
Grants	44	181 148 001	175 179 000
Interest Income		1 729 419	1 820 125
		<b>203 565 141</b>	<b>197 770 620</b>
<b>Payments</b>			
Suppliers	45	(161 127 193)	(176 030 694)
Finance costs		(254 063)	(234 960)
		<b>(161 381 256)</b>	<b>(176 265 654)</b>
<b>Net cash flows from operating activities</b>	<b>42</b>	<b>42 183 885</b>	<b>21 504 966</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(38 284 504)	(44 447 205)
Proceeds from sale of property, plant and equipment		-	737 731
<b>Net cash flows from investing activities</b>		<b>(38 284 504)</b>	<b>(43 709 474)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(261 620)	(196 522)
<b>Net cash flows from financing activities</b>		<b>(261 620)</b>	<b>(196 522)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3 637 761</b>	<b>(22 401 030)</b>
Cash and cash equivalents at the beginning of the year		19 373 210	41 774 239
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>23 010 971</b>	<b>19 373 209</b>

\* See Note 51

# Molemole Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service Charges : Sale of electricity	9 224 517	-	9 224 517	8 284 596	(939 921)	(10)% - 41.1
Service Charges : Refuse removal	2 288 337	-	2 288 337	2 218 413	(69 924)	(3)%
Rental of facilities and equipment	283 935	(50 000)	233 935	254 705	20 770	9 % - 41.2
Interest received	1 484 166	(283 729)	1 200 437	912 778	(287 659)	(24)% - 41.3
Commission Received	2 478 480	(1 813 775)	664 705	683 390	18 685	3 % -
Licences and permits	7 065 504	-	7 065 504	3 123 723	(3 941 781)	(56)% - 41.5
Other income	34 711 332	(6 547 041)	28 164 291	203 607	(27 960 684)	(99)% - 41.6
Interest received - investment	2 112 000	-	2 112 000	1 729 419	(382 581)	(18)% - 41.7
<b>Total revenue from exchange transactions</b>	<b>59 648 271</b>	<b>(8 694 545)</b>	<b>50 953 726</b>	<b>17 410 631</b>	<b>(33 543 095)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	15 291 183	4 566 884	19 858 067	20 010 884	152 817	1 %
Transfer revenue : Government grants & subsidies	181 299 010	1 974 043	183 273 053	182 145 339	(1 127 714)	(1)%
Traffic Fines, penalties and forfeits	4 751 369	(30 535)	4 720 834	909 431	(3 811 403)	(81)% - 41.8
<b>Total revenue from non-exchange transactions</b>	<b>201 341 562</b>	<b>6 510 392</b>	<b>207 851 954</b>	<b>203 065 654</b>	<b>(4 786 300)</b>	
<b>Total revenue</b>	<b>260 989 833</b>	<b>(2 184 153)</b>	<b>258 805 680</b>	<b>220 476 285</b>	<b>(38 329 395)</b>	
<b>Expenditure</b>						
Personnel	(93 985 993)	2 592 788	(91 393 205)	(84 242 605)	7 150 600	(8)% - 41.9
Remuneration of councillors	(14 127 295)	-	(14 127 295)	(12 916 703)	1 210 592	(9)% - 41.10
Depreciation and amortisation	(8 659 942)	(7 977 269)	(16 637 211)	(16 392 466)	244 745	(1)% - 41.12
Finance costs	(1 255 286)	-	(1 255 286)	(254 063)	1 001 223	(80)% - 41.11
Debt Impairment	(5 837 102)	(962 898)	(6 800 000)	(5 811 925)	988 075	(15)% - 41.13
Bulk purchases	(8 268 000)	(2 000 000)	(10 268 000)	(10 107 196)	160 804	(2)%
Contracted Services	(34 663 701)	2 507 032	(32 156 669)	(26 876 466)	5 280 203	(16)% - 41.14
General Expenditure	(38 751 243)	(1 221 986)	(39 973 229)	(33 436 060)	6 537 169	(16)% - 41.15
<b>Total expenditure</b>	<b>(205 548 562)</b>	<b>(7 062 333)</b>	<b>(212 610 895)</b>	<b>(190 037 484)</b>	<b>22 573 411</b>	
<b>Operating surplus</b>	<b>55 441 271</b>	<b>(9 246 486)</b>	<b>46 194 785</b>	<b>30 438 801</b>	<b>(15 755 984)</b>	
Loss on disposal of assets and liabilities	-	-	-	(161 471)	(161 471)	
<b>Surplus/Deficit</b>	<b>55 441 271</b>	<b>(9 246 486)</b>	<b>46 194 785</b>	<b>30 277 330</b>	<b>(15 917 455)</b>	

## Molemole Local Municipality

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### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
Total Non-Current Assets	55 313 900	56 778 600	112 092 500	113 897 451	1 804 951	
Total Current Assets	141 236 410	142 976 299	284 212 709	273 292 242	(10 920 467)	
Total Non-Current Liability	37 673 407	1 123 331	38 796 738	38 075 329	(721 409)	
Total Current Liability	25 676 880	65 108	25 741 988	22 965 830	(2 776 158)	
Community wealth/equity	133 200 023	198 566 460	331 766 483	326 148 531	(5 617 953)	
<b>Cash Flow Statement</b>						
Net cash from (used) operating	38 452 193	7 296 897	45 749 092	42 183 885	(3 565 207)	
Net cash from (used) investing	(55 241 271)	9 046 486	(46 194 785)	(38 284 504)	7 910 281	
Net cash from (used) investing	208 697	(97 708)	110 989	(261 620)	(372 609)	
Net increase/decrease in cash held	(16 580 381)	16 245 675	(334 704)	3 637 761	3 972 465	
Cash and cash equivalents at the beginning of the year	14 330 932	4 865 525	19 196 457	19 373 210	176 753	
Cash and cash equivalents at the end of the year	(2 249 449)	21 111 200	18 861 753	23 010 971	4 149 218	

## Molemole Local Municipality

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Financial Statements for the year ended 30 June 2020

## Comparison of Budget and Actual Amounts for the year ended 30 June 2020

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2020</b>											
<b>Financial Performance</b>											
Property rates	15 291 183	4 566 884	19 858 067	-	-	19 858 067	20 010 884	-	152 817	101 %	131 %
Service charges	11 512 854	-	11 512 854	-	-	11 512 854	10 503 009	-	(1 009 845)	91 %	91 %
Investment revenue	2 112 000	-	2 112 000	-	-	2 112 000	1 729 419	-	(382 581)	82 %	82 %
Transfers recognised - operational	147 905 550	358 000	148 263 550	-	-	148 263 550	148 235 565	-	(27 985)	100 %	100 %
Other own revenue	50 774 786	(8 725 080)	42 049 706	-	-	42 049 706	6 087 634	-	(35 962 072)	14 %	12 %
<b>Total revenue (excl capital transfers)</b>	<b>227 596 373</b>	<b>(3 800 196)</b>	<b>223 796 177</b>	<b>-</b>	<b>-</b>	<b>223 796 177</b>	<b>186 566 511</b>	<b>-</b>	<b>(37 229 666)</b>	<b>83 %</b>	<b>82 %</b>
Employee costs	(93 985 993)	2 592 788	(91 393 205)	-	-	(91 393 205)	(84 242 605)	-	7 150 600	92 %	90 %
Remuneration of councillors	(14 127 295)	-	(14 127 295)	-	-	(14 127 295)	(12 916 703)	-	1 210 592	91 %	91 %
Debt impairment	(5 837 102)	(962 898)	(6 800 000)	-	-	(6 800 000)	(5 811 925)	-	988 075	85 %	100 %
Depreciation and asset impairment	(8 659 942)	(7 977 269)	(16 637 211)	-	-	(16 637 211)	(16 392 466)	-	244 745	99 %	189 %
Finance charges	(1 255 286)	-	(1 255 286)	-	-	(1 255 286)	(254 063)	-	1 001 223	20 %	20 %
Materials and bulk purchases	(8 268 000)	(2 000 000)	(10 268 000)	-	-	(10 268 000)	(10 107 196)	-	160 804	98 %	122 %
Other expenditure	(73 414 944)	1 285 046	(72 129 898)	-	-	(72 129 898)	(60 473 997)	-	11 655 901	84 %	82 %
<b>Total expenditure</b>	<b>(205 548 562)</b>	<b>(7 062 333)</b>	<b>(212 610 895)</b>	<b>-</b>	<b>-</b>	<b>(212 610 895)</b>	<b>(190 198 955)</b>	<b>-</b>	<b>22 411 940</b>	<b>89 %</b>	<b>93 %</b>
<b>Surplus/(Deficit)</b>	<b>22 047 811</b>	<b>(10 862 529)</b>	<b>11 185 282</b>	<b>-</b>	<b>-</b>	<b>11 185 282</b>	<b>(3 632 444)</b>	<b>-</b>	<b>(14 817 726)</b>	<b>(32)%</b>	<b>(16)%</b>
Transfers recognised - capital	33 393 460	1 616 043	35 009 503	-	-	35 009 503	33 909 774	-	(1 099 729)	97 %	102 %
<b>Surplus (Deficit) after capital transfers</b>	<b>55 441 271</b>	<b>(9 246 486)</b>	<b>46 194 785</b>	<b>-</b>	<b>-</b>	<b>46 194 785</b>	<b>30 277 330</b>	<b>-</b>	<b>(15 917 455)</b>	<b>66 %</b>	<b>55 %</b>

## Molemole Local Municipality

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Financial Statements for the year ended 30 June 2020

## Comparison of Budget and Actual Amounts for the year ended 30 June 2020

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. s28 and budget)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>											
Vote 01 - Corporate Services	2 000 000	(21 280)	1 978 720	-		1 978 720	1 344 645		(634 075)	68 %	67 %
Vote 02 - Municipal Manager	150 000	-	150 000	-		150 000	111 398		(38 602)	74 %	74 %
Vote 04 - Budget And Treasury	550 000	(310 000)	240 000	-		240 000	58 650		(181 350)	24 %	11 %
Vote 05 - Community Services	2 200 000	(1 485 724)	714 276	-		714 276	714 276		-	100 %	32 %
Vote 06 - Technical Services	50 541 271	(7 429 482)	43 111 789	-		43 111 789	36 055 534		(7 056 255)	84 %	71 %
	<b>55 441 271</b>	<b>(9 246 486)</b>	<b>46 194 785</b>	<b>-</b>	<b>-</b>	<b>46 194 785</b>	<b>38 284 503</b>	<b>-</b>	<b>(7 910 282)</b>	<b>83 %</b>	<b>69 %</b>
<b>Sources of capital funds</b>											
Transfers recognised - capital	33 393 450	1 616 043	35 009 493	-		35 009 493	33 909 774		(1 099 719)	97 %	102 %
Internally generated funds	22 047 821	(10 862 529)	11 185 292	-		11 185 292	4 374 729		(6 810 563)	39 %	20 %
<b>Total sources of capital funds</b>	<b>55 441 271</b>	<b>(9 246 486)</b>	<b>46 194 785</b>	<b>-</b>	<b>-</b>	<b>46 194 785</b>	<b>38 284 503</b>	<b>-</b>	<b>(7 910 282)</b>	<b>83 %</b>	<b>69 %</b>

## Molemole Local Municipality

(Registration number LM353)

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## Comparison of Budget and Actual Amounts for the year ended 30 June 2020

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. s28 and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	38 452 193	7 296 897	45 749 090	-	-	45 749 090	42 183 885	-	(3 565 205)	92 %	110 %
Net cash from (used) investing	(55 241 271)	9 046 486	(46 194 785)	-	-	(46 194 785)	(38 284 504)	-	7 910 281	83 %	69 %
Net cash from (used) financing	208 697	(97 708)	110 989	-	-	110 989	(261 620)	-	(372 609)	(236)%	(125)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(16 580 381)</b>	<b>16 245 675</b>	<b>(334 706)</b>	<b>-</b>	<b>(334 706)</b>	<b>3 637 761</b>	<b>3 972 467</b>	<b>(1 087)%</b>	<b>(22)%</b>		
Cash and cash equivalents at the beginning of the year	14 330 932	4 865 525	19 196 457	-	-	19 196 457	19 373 209	-	176 752	101 %	135 %
<b>Cash and cash equivalents at year end</b>	<b>(2 249 449)</b>	<b>21 111 200</b>	<b>18 861 751</b>	<b>-</b>	<b>-</b>	<b>18 861 751</b>	<b>23 010 970</b>	<b>(4 149 219)</b>	<b>122 % (1 023)%</b>		

**Molemole Local Municipality**  
(Registration number LIM353)  
Financial Statements for the year ended 30 June 2020

## **Accounting Policies**

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### **1. Presentation of Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Going concern assumption**

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Comparative Information**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.4 Use of Estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality has identified all its capital assets excluding Investment Property, as non-cash generating assets as it is the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note xx

#### Inventories

Unsold properties are taken at fair value on the date when the intention to dispose land has arisen to the inventory from investment property on initial recognition.

#### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2020

## Accounting Policies

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used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note xxx

### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

### Residual value

The estimated value of an asset at the end of its useful life, or the value that remains at the end of the analysis period where the asset useful life exceed.

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. However, where an investment property was acquired through a non-exchange transaction (i.e. where municipality acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Transfers are made to or from investment property only when there is a change in use.

For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The following accounting procedures will be followed when the land and buildings properties are re-valued at an amount that exceeds the current value carried in the Financial Statements:

# Molemole Local Municipality

(Registration number LIM353)

Financial Statements for the year ended 30 June 2020

## Accounting Policies

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- The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property.
- The carrying value on the Balance Sheet will be adjusted to the revalued amount of the fixed property.
- The difference between the original amount and the re-valued amount will be credited against a future depreciation reserve.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
<b>Buildings</b>	
▪ Municipal Buildings	15-30 years
▪ Land	Indefinite
<b>Infrastructure</b>	
▪ Roads	5 - 30 years
▪ Paving on Car Ports	5 - 30 years
▪ Electricity Network	4 - 45 years
▪ Single Fase Meters 97/98	2 - 20 years
▪ Water	2 - 20 years
▪ Sewerage	2 - 20 years
▪ Stormwater	5 - 30 years
<b>Community</b>	
▪ Community Buildings	15 - 30 years
▪ Recreational Facilities	20 - 30 years
▪ Tennis Courts	20 - 30 years
▪ Swimming Pool and Pumps	5 - 10 years
▪ Security	5 - 30 years
▪ Palisade Fence	3 - 10 years
▪ Gaurd Room	2 - 30 years
▪ Parks and Gardens	22 - 30 years
▪ Taxi Rank	22 - 30 years
<b>Other property, plant and equipment</b>	
▪ Gates And Fencing	5 - 10 years
▪ Air Conditioners	5 - 15 years
▪ Plant and equipment	5 - 30 years
▪ Security Measures	5 - 30 years
▪ Other Vechiles	5 - 15 years
▪ Specialised Vechile	10 - 15 years
▪ Office Equipment	5 - 15 years
▪ Furniture and fittings	2 - 20 years
▪ Bins and containers	2 - 10 years
▪ Other items of plant equipment	10 - 15 years
▪ Landfill sites	30 - 45 years
▪ Computer equipment	3 - 15 years
<b>Finance Leased Assets</b>	
▪ Office Equipment	3 - 7 years

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Financial Statements for the year ended 30 June 2020

## Accounting Policies

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The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.7 Intangible assets

#### Initial Recognition

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

## **Accounting Policies**

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The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### **1.8 Heritage assets**

#### **Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### **Initial measurement**

Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### **Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2020

## Accounting Policies

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Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses. Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### 1.9 Financial instruments

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

**Subsequent measurement** - Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest. Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

# Molemole Local Municipality

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Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

### Impairment Loss

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

The municipality determine impairment of trade receivables in accordance with the debt write off policy.

### Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities. other financial liabilities carried at amortised cost.

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

## **Accounting Policies**

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### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the Statement of Financial Performance.

### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### **1.11 Inventories**

##### **Initial measurement:**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

##### **Subsequent measurement:**

###### ***Land and water inventory:***

Subsequently inventories are measured at the lower of cost and net realisable value.

###### ***Consumables:***

Inventories are measured at the lower of cost and current replacement cost where they are held for; distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge. Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequent inventories are measured at the lower of cost and net realisable value.

Inventories comprise current assets held for sale or for consumption during the ordinary course of business and are measured at the lower of cost and current replacement cost where they are held for;

- a) distribution at no charge or for a nominal charge; or

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b) consumption in the production process of goods to be distributed at no charge or for a nominal charge

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis for allocating cost to inventory items is the first in first out (FIFO) method.

### 1.12 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Post Retirement Medical Obligation

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

Council pays 70% of the contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the relevant employee. Accumulated leave is carried forward and can be used in future periods if the current employee's period's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

## **Accounting Policies**

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### **Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on the bonus accrued at year end for each employee.

### **Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrues. The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

#### **1.13 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied: the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods; the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

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## Accounting Policies

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When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; the stage of completion of the transaction at the reporting date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by a variety of methods. Depending on the nature of the transaction, the methods may include:

surveys of work performed;

services performed to date as a percentage of total services to be performed;

the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners. Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit. Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange. Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality. Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others. The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and/or regulations established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### Unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is when it is probable that the future economic benefits will flow to the municipality and the amount can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

## **Accounting Policies**

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### **Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### **1.16 Cost of sales**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus (deficit) of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

### **Contract costs comprise:**

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### **1.17 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.18 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Unauthorised expenditure is disclosed in a note to the Annual Financial Statements.

### **1.19 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred, unless if it is recoverable (i.e. receivable), it will be raised as an asset in the Statement of Financial Position. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure will be de-recognised as soon as the nature of the fruitless and wasteful expenditure has been submitted to Council and a formal Council decision has been taken to condone the expenditure. The Fruitless and Wasteful expenditure is disclosed in a note to the Annual Financial Statements.

### 1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Irregular expenditure is disclosed in a note to the Annual Financial Statements.

### 1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019-07-01 to 2020-06-30.

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The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### **1.22 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the municipality sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.23 Retirement Benefits**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

## **Accounting Policies**

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### **1.24 Impairment of Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### **1.25 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### **1.26 Value Added Tax**

Vat is claimable on a accrual basis.

## **Accounting Policies**

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### **Notes to the Financial Statements**

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#### **2. New standards and interpretations**

##### **2.1 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods but are not relevant to its operations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 108 : Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109 : Accounting by principles and Agents	01 April 2019	Unlikely there will be a material impact
• GRAP 18 : Recognition and derecognition of land	01 April 2019	Unlikely there will be a material impact
• GRAP 19 : Liabilities to pay levies	01 April 2019	Unlikely there will be a material impact
• GRAP 20 : Related Party Disclosures	01 April 2019	Unlikely there will be a material impact
• Approved and not yet effective		
• GRAP 104 (amended): Financial Instruments	01 April 2020	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact

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### 3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 091 000	(433 332)	1 657 668	2 091 000	(389 999)	1 701 001

#### Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	1 701 001	(43 333)	1 657 668

#### Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	1 744 335	(43 333)	1 701 001

## Molemole Local Municipality

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### 4. Property, plant and equipment

	2020		2019	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	22 169 428	-	22 169 428	-
Buildings	33 733 651	(3 867 334)	29 866 317	31 167 206
Infrastructure	156 488 219	(26 240 589)	130 247 630	108 866 773
Community	30 957 786	(5 084 884)	25 872 902	30 957 786
Other property, plant and equipment	49 101 271	(22 213 852)	26 887 419	46 717 218
Financed leased Assets	652 853	(375 884)	276 969	652 853
Work in Progress	35 727 546	-	35 727 546	50 727 837
<b>Total</b>	<b>328 830 754</b>	<b>(57 782 543)</b>	<b>271 048 211</b>	<b>281 259 101</b>
			(42 974 723)	<b>248 284 378</b>

### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions work in progress	Disposals	Transfers In / (Out)	Revaluations	Depreciation	Impairment	Total
Land	22 169 428	-	-	-	-	-	-	-	22 169 428
Buildings	28 708 392	94 250	-	2 472 195	-	(1 395 558)	-	(12 959)	29 866 317
Infrastructure	90 060 364	30 964 490	-	16 656 960	-	(7 434 183)	-	-	130 247 630
Community	27 373 983	-	-	-	80 909	(1 577 188)	(4 803)	25 872 902	
Other property, plant and equipment	28 863 542	3 096 900	-	(160 711)	-	(4 900 040)	(12 271)	26 887 419	
Finance Leased Assets	380 832	-	-	-	-	(103 863)	-	-	276 969
Work in progress	50 727 837	-	4 128 864	-	(19 129 155)	-	-	-	35 727 546
<b>Total</b>	<b>248 284 378</b>	<b>34 155 640</b>	<b>4 128 864</b>	<b>(160 711)</b>	<b>-</b>	<b>80 909</b>	<b>(15 410 832)</b>	<b>(30 033)</b>	<b>271 048 211</b>

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### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Additions work in progress	Disposals	Transfers In/ Out	Revaluations	Depreciation	Total
Land	22 169 428	-	-	-	-	-	-	22 169 428
Buildings	26 722 452	-	-	(343 221)	58 663 769	3 204 321	(1 218 382)	28 708 392
Infrastructure	36 766 387	-	-	-	-	-	(5 026 571)	90 060 364
Community	26 054 189	29 400	-	(1 945 048)	-	2 514 935	(1 224 541)	27 373 983
Other property, plant and equipment	31 988 702	2 548 591	-	-	-	-	(3 728 703)	28 863 542
Finance Leased Assets	598 449	-	-	-	-	-	(217 617)	380 832
Work in progress	67 522 392	-	41 869 214	-	(58 663 769)	-	-	50 727 837
	<b>211 821 999</b>	<b>2 577 991</b>	<b>41 869 214</b>	<b>(2 288 269)</b>	<b>-</b>	<b>5 719 256</b>	<b>(11 415 814)</b>	<b>248 284 378</b>

#### Reconciliation of Work-in-Progress 2020

	Included in Infrastructure	Included in Community	Included in Other PPE	Total
Opening balance	21 159 349	28 945 578	622 911	50 727 838
Additions/capital expenditure	1 381 324	898 256	1 849 284	4 128 864
Transferred to completed items	(16 656 960)	-	(2 477 195)	(19 129 155)
	<b>5 883 713</b>	<b>29 843 834</b>	<b>-</b>	<b>35 727 547</b>

#### Reconciliation of Work-in-Progress 2019

	Included in Infrastructure	Included in Community	Included in Other PPE	Total
Opening balance	44 301 407	23 220 985	-	67 522 392
Additions/capital expenditure	35 521 711	5 724 593	622 911	41 869 215
Transferred to completed items	(58 663 769)	-	-	(58 663 769)
	<b>21 159 349</b>	<b>28 945 578</b>	<b>622 911</b>	<b>50 727 838</b>

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### 4. Property, plant and equipment (continued)

**Expenditure incurred to repair and maintain property, plant and equipment**

**Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance**

Contracted services

6 280 208	7 692 032
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	R 3 646 148 R	(3 427 935)R	218 213 R	3 650 708 R	(2 523 470)R	1 127 238

#### Reconciliation of intangible assets - 2020

	Opening balance	Disposals	Amortisation	Total
	1 127 238	(760)	(908 264)	218 213
Computer software, other				

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
	1 945 251	(818 014)	1 127 238
Computer software, other			

### 6. Heritage Assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	368 150	-	368 150	368 150	-	368 150

#### Reconciliation of heritage assets 2020

	Opening balance	Total
	368 150	368 150
Mayoral Chain		

#### Reconciliation of heritage assets 2019

	Opening balance	Total
	368 150	368 150
Mayoral Chain		

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**7. Non-Current Employee benefits**

**Post-employment Health Care Benefits**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;

Discovery;

LA Health;

Hosmed;

Samwumed; and

Keyhealth.

The Municipality's Accrued Unfunded Liability at 30 June 2020 is estimated at R7 683 000. The Current-service Cost for the year ending 30 June 2020 is estimated at R860 460. It is estimated to be R735 000 for the ensuing year.

**Key actuarial assumptions used**

<b>Rate of Interest</b>	11.29%	9.78%
Discount rate	7.24%	7.17%
Health Care Cost	3.78%	2.44%
Net effective Discount rate		

The amounts recognised in the statement of financial position are as follows:

<b>Carrying value</b>		
Present value at Fund obligation at the begining of the year	9 070 610	6 663 822
Current Service Cost	860 460	622 662
Interest Cost	884 092	651 399
Benefits Paid	(46 488)	(46 728)
Actuarial (gains ) / losses	(3 085 674)	1 179 455
	<b>7 683 000</b>	<b>9 070 610</b>
Non-current liabilities	(7 628 000)	(9 007 514)
Current liabilities	(55 000)	(63 096)
	<b>(7 683 000)</b>	<b>(9 070 610)</b>

**8. Inventories**

<b>Stationary</b>		
Opening balance	194 483	160 959
Purchased	1 123 555	1 197 825
Issued	(1 056 734)	(1 164 301)
<b>Closing balance</b>	<b>261 304</b>	<b>194 483</b>

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<b>9. Receivables from exchange transactions</b>		
Consumer debtors - Electricity	472 581	435 299
Consumer debtors - Refuse	1 440 638	1 150 254
Consumer debtors - Other Service Charges	92 389	78 141
<b>Sub Total - Receivables from Exchange Transactions</b>	<b>2 005 608</b>	<b>1 663 694</b>
Rental debtors	257 263	252 925
Other debtors - Under banking	43 168	29 332
Other debtors - Bursaries	-	30 850
Other debtors	208 630	1 126 528
CDM water debtor	434 144	430 191
<b>Grand Total - Receivables from Exchange Transactions</b>	<b>2 948 813</b>	<b>3 533 620</b>

**9.1 Receivables from Exchange transactions - Consumer Debtors - Service Charges**

**Consumer Debtors - Service Charges Reconciliation**

	2020			2019	
	Gross Debtors	Impairment	Nett Debtors	Gross Debtors	Impairment
Electricity	3 607 562	(3 134 981)	472 581	3 401 310	(2 966 011)
Refuse	10 997 470	(9 556 832)	1 440 638	8 987 794	(7 837 540)
Other service Charges	705 274	(612 885)	92 389	610 575	(532 434)
<b>Total</b>	<b>15 310 306</b>	<b>(13 304 698)</b>	<b>2 005 608</b>	<b>12 999 679</b>	<b>(11 335 985)</b>
					<b>1 663 694</b>

**Consumer Debtors - Service Charges Ageing for 2020**

	Current (0 - 30 days)	31-60 days	61-90 days	+90 days	Total Gross Debtors
Electricity	560 906	22 120	20 916	3 003 620	3 607 562
Refuse	444 595	217 374	214 891	10 120 609	10 997 469
Other Service Charges	13 028	6 466	6 434	679 346	705 274
<b>Total</b>	<b>1 018 529</b>	<b>245 960</b>	<b>242 241</b>	<b>13 803 575</b>	<b>15 310 305</b>

**Consumer Debtors - Service Charges Ageing for 2019**

	Current (0 - 30 days)	31-60 days	61-90 days	+90 days	Total Gross Debtors
Electricity	226 529	58 046	52 570	3 064 165	3 401 310
Refuse	372 276	169 179	178 855	8 267 485	8 987 795
Other Service Charges	24 328	23 147	11 907	551 194	610 576
<b>Total</b>	<b>623 133</b>	<b>250 372</b>	<b>243 332</b>	<b>11 882 844</b>	<b>12 999 681</b>

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### 9. Receivables from exchange transactions (continued)

#### Consumer Debtors - Service Charges Impairment Reconciliation

	2020			2019		
	Opening Balance	(Provisions)/Reversal	Closing Balance	Opening Balance	(Provisions)/Reversal	Closing Balance
	Impairment	Impairment	Impairment	Impairment	Impairment	Impairment
Electricity	(2 966 011)	(168 970)	(3 134 981)	(5 587 880)	2 621 869	(2 966 011)
Refuse	(7 837 541)	(1 719 291)	(9 556 832)	(5 945 619)	(1 891 922)	(7 837 541)
Other Service Charges	(532 435)	(80 450)	(612 885)	(371 950)	(160 485)	(532 435)
<b>Total</b>	<b>(11 335 987)</b>	<b>(1 968 711)</b>	<b>(13 304 698)</b>	<b>(11 905 449)</b>	<b>569 462</b>	<b>(11 335 987)</b>

#### 9.2 Receivables from Exchange transactions - CDM Water Debtor reconciliation

CDM Water debtor	6 488 919	4 971 257
Less: 70 % Commission	(4 542 242)	(3 479 880)
Less: Impairment	(1 512 533)	(1 061 186)
	<b>434 144</b>	<b>430 191</b>

### 10. Receivables from non-exchange transactions

Fines	1 752 842	1 687 829
Consumer debtors - Rates	71 259 728	60 636 803
	<b>73 012 570</b>	<b>62 324 632</b>

#### 10.1 Receivables from Non Exchange transactions - Property Rates

##### Property Rates reconciliation

	2020			2019		
	Gross Debtors	Impairment	Nett Debtors	Gross Debtors	Impairment	Nett Debtors
Agricultural properties	10 237 246	(8 896 195)	1 341 051	9 164 461	(8 002 723)	1 161 738
Bussiness and commercial	5 074 527	(4 409 777)	664 750	3 895 543	(3 396 564)	498 979
Farm properties	540	(469)	71	128	(50)	78
Government	67 978 787	-	67 978 787	57 910 169	-	57 910 169
Public service infrastructure	80 068	(53 091)	26 977	73 570	(53 091)	20 479
Residential development	9 320 894	(8 099 883)	1 221 011	8 017 144	(6 991 113)	1 026 031
Residential Vacant land	206 731	(179 650)	27 081	151 035	(131 706)	19 329
<b>Total</b>	<b>92 898 793</b>	<b>(21 639 065)</b>	<b>71 259 728</b>	<b>79 212 050</b>	<b>(18 575 247)</b>	<b>60 636 803</b>

##### Property Rates Ageing for 2020

	Current (0 - 30 days)	31-60 days	61-90 days	+90 days	Total Gross Debtors
Agricultural properties	215 241	107 515	106 221	9 808 270	10 237 247
Bussiness and commercial	269 551	125 645	120 442	4 558 888	5 074 526
Farm properties	69	34	34	403	540
Government	2 297 395	1 136 564	1 122 698	63 422 131	67 978 788
Public service infrastructure	1 090	545	545	77 888	80 068
Residential development	421 419	201 682	199 397	8 498 397	9 320 895
Residential Vacant land	10 887	5 285	5 163	185 396	206 731
<b>Total</b>	<b>3 215 652</b>	<b>1 577 270</b>	<b>1 554 500</b>	<b>86 551 373</b>	<b>92 898 795</b>

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### 10. Receivables from non-exchange transactions (continued)

#### Property Rates Ageing for 2019

	Current (0 - 30 days)	31-60 days	61-90 days	+90 days	Total Gross Debtors
Agricultural properties	206 033	102 062	102 176	8 754 190	9 164 461
Bussiness and commercial	264 275	112 000	111 770	3 407 498	3 895 543
Farm properties	64	32	32	-	128
Government	1 505 767	746 863	743 588	54 913 951	57 910 169
Public service infrastructure	1 868	897	927	69 878	73 570
Residential development	323 093	146 815	152 213	7 395 023	8 017 144
Residential Vacant land	9 158	4 035	4 348	133 494	151 035
<b>Total</b>	<b>2 310 258</b>	<b>1 112 704</b>	<b>1 115 054</b>	<b>74 674 034</b>	<b>79 212 050</b>

Debts are required to be settled after 30 days, interest is charged after this date at 10%. The fair value of trade and other receivables approximates their carrying amounts.

#### Property Rates impairment reconcilliation

	2020			2019		
	Opening Balance Impairment	(Provisions)/ Reversal	Closing Balance Impairment	Opening Balance Impairment	(Provisions)/ Reversal	Closing Balance Impairment
Agricultural properties	(8 002 723)	(893 472)	(8 896 195)	(7 064 797)	(937 926)	(8 002 723)
Bussiness and commercial	(3 396 564)	(1 013 213)	(4 409 777)	(4 428 549)	1 031 985	(3 396 564)
Farm properties	(50)	(419)	(469)	(48)	(2)	(50)
Public service infrastructure	(53 091)	-	(53 091)	(42 027)	(11 064)	(53 091)
Residential development	(6 991 113)	(1 108 770)	(8 099 883)	(5 456 738)	(1 534 375)	(6 991 113)
Residential Vacant land	(131 706)	(47 944)	(179 650)	(83 954)	(47 752)	(131 706)
<b>Total</b>	<b>(18 575 247)</b>	<b>(3 063 818)</b>	<b>(21 639 065)</b>	<b>(17 076 113)</b>	<b>(1 499 134)</b>	<b>(18 575 247)</b>

#### 10.2 Receivables from Non Exchange transactions - Traffic Fines

##### Traffic fines reconcilliation

Gross balances - Fines	4 494 467	3 968 173
<b>Less: Allowance for impairment</b>		
Traffic Fines Opening Balance	(2 280 344)	(2 176 931)
Traffic fines (Provision) / Reversal	(461 281)	(103 413)
	<b>1 752 842</b>	<b>1 687 829</b>

#### 11. VAT receivable

Vat Receivable	14 663 798	14 057 452
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### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand - Petty Cash		13 500	1 471
Bank balances - Cash Book balance		165 798	7 558 915
Short-term deposits		20 603 434	7 874 015
Grants bank account		2 228 234	3 938 808
		<b>23 010 966</b>	<b>19 373 209</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Nedbank - Primary Account	(95 825)	7 575 698	19 981 855	165 798	7 558 915	19 770 731
146 700 0 442						
Nedbank Grants Account - 1013994825	2 228 313	3 938 888	10 424 363	2 228 234	3 938 808	10 424 273
Nedbank Call Investment - Deposit	20 603 433	7 874 015	11 578 914	20 603 434	7 558 915	11 578 914
<b>Total</b>	<b>22 735 921</b>	<b>19 388 601</b>	<b>41 985 132</b>	<b>22 997 466</b>	<b>19 066 638</b>	<b>41 773 918</b>

### 13. Revaluation reserve

Opening balance		47 614 111	41 894 856
Transfer in during the year		80 909	5 719 255
		<b>47 695 020</b>	<b>47 614 111</b>

### 14. Finance lease obligation

<b>Minimum lease payments due</b>			
- within one year		283 009	377 346
- in second to fifth year inclusive		-	283 009
		<b>283 009</b>	<b>660 355</b>
<b>less. future finance charges</b>		(31 333)	(147 049)
<b>Present value of minimum lease payments</b>		<b>251 676</b>	<b>513 306</b>
 <b>Present value of minimum lease payments due</b>			
- within one year		251 668	261 630
- in second to fifth year inclusive		-	251 676
		<b>251 668</b>	<b>513 306</b>
 Non-current liabilities		-	251 676
Current liabilities		251 668	261 630
		<b>251 668</b>	<b>513 306</b>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest Rate	Lease Term	Maturity Date
XLP Document Solution	Photocopy machine	28,95%	3 Year	31-03-2021
XLP Document Solution	Photocopy machine	28,95%	3 Year	31-03-2021

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### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	1 106 249	1 616 692
Finance management grant	2 150	225 669
CDM - Integrated Transport Plan	108 614	108 614
Municipal System Improvement Grant	-	283 300
COVID 19 Relief Fund	19 924	-
	<b>1 236 937</b>	<b>2 234 275</b>

The Unspend grants are cash-backed by term deposits. The municipality complied with the conditions attach to all grants received to the extend of revenue recognised.

### 16. Provisions

#### Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Transfer (to) /from current portion	Actuarial (Gains)/Loss	Total
Long service awards	3 390 816	712 491	(424 737)	255 025	(179 596)	3 754 000
Rehabilitation of Landfill Site	11 416 299	167 533	-	-	-	11 583 831
	<b>14 807 115</b>	<b>880 024</b>	<b>(424 737)</b>	<b>255 025</b>	<b>(179 596)</b>	<b>15 337 831</b>

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Transfer (to) /from current portion	Total
Long service awards	2 936 761	972 221	(476 488)	(41 678)	3 390 816
Rehabilitation of Landfill Site	11 158 829	257 469	-	-	11 416 299
	<b>14 095 590</b>	<b>1 229 690</b>	<b>(476 488)</b>	<b>(41 678)</b>	<b>14 807 115</b>
Non-current liabilities				15 337 830	14 807 115
Current liabilities				206 000	469 121
				<b>15 543 830</b>	<b>15 276 236</b>

#### Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of

R 11 583 831 : 2020 (2019: R 11 416 298) to restore the site at the end of its useful life, estimated to be in the 2025 (soekmekhaar landfill site) and 2032 (Dendron Landfill site) financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

#### Long Service Awards

The Long Service Awards is a liability in respect of Long service awards to employees. As at year end, 159 employees were eligible for Long Service Awards.

Key actuarial assumptions used:

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### 16. Provisions (continued)

#### Rate of interest

Discount rate	7.59%	8.59%
General Salary Inflation (long Term )	4.13%	6.19%
Nett effective Discount Rate	3.32%	2.26%

The amounts recognised in the Statement of Financial Position are as follows:

#### Present Value of Liability

Balance	3 905 000	3 301 109
<b>Net liability / (asset)</b>	<b>3 905 000</b>	<b>3 301 109</b>

Reconciliation of present value of Liability:

#### Reconciliation fo present Value of liability

Present value of liability at the beginning of the year	3 796 842	3 301 109
Total Expenses	287 754	137 987
Current service cost	417 109	346 236
Interest Cost	295 382	268 239
Benefits paid	(424 737)	(476 488)
Actuarial Losses / ( Gain)	(179 596)	357 746
Present value of Liability	3 905 000	3 796 842
Less : Transfer of current portion	(151 000)	(406 025)
<b>Balance at end of year</b>	<b>3 754 000</b>	<b>3 390 817</b>

### 17. Other current liability

Unallocated receipts	118 752	96 635
Salary suspense account	1 019	(1 129)
	<b>119 771</b>	<b>95 506</b>

### 18. Current Employee Benefits

The movement in current employee benefits are reconciled as follows:

Current Portion of Long Service Provisions	206 000	469 121
Expenditure during the year	7 998 405	6 087 309
<b>Balance at end of year</b>	<b>8 204 405</b>	<b>6 556 430</b>

The movement in current employee benefits are reconciled as follows:

Balance at the beginning of the year	6 087 309	6 304 775
Contribution to current portion	2 399 744	125 217
Expenditure during the year	(488 648)	(342 683)
<b>Balance at end of year</b>	<b>7 998 405</b>	<b>6 087 309</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

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### 19. Payables from exchange transactions

Trade payables	6 864 797	6 301 572
Payments received in advanced	5 935 218	3 034 643
Retention	8 154 901	9 204 054
Third Party Payments (Medical, Pension etc)	4 034 767	-
Electricity not used	312 447	242 849
CDM Creditor	742 017	983 031
Bonus	1 713 925	1 690 360
	<b>27 758 072</b>	<b>21 456 509</b>

### 20. Consumer deposits

Electricity	504 476	503 126
	<b>504 476</b>	<b>503 126</b>

### 21. Revenue

Service charges	10 503 009	9 870 892
Rental of facilities and equipment	254 705	456 493
Interest received - debtors	912 778	1 066 848
Agency services	683 390	660 534
Licences and permits	3 123 723	3 598 079
Other income	203 607	257 775
Interest received - investment	1 729 419	1 820 125
Property rates	20 010 884	14 572 846
Government grants & subsidies	182 145 339	177 221 330
Fines, Penalties and Forfeits	909 431	644 562
	<b>220 476 285</b>	<b>210 169 484</b>

#### The amount included in revenue arising from exchanges of goods or services

are as follows:

Service charges	10 503 009	9 870 892
Rental of facilities and equipment	254 705	456 493
Interest received - debtors	912 778	1 066 848
Agency services	683 390	660 534
Licences and permits	3 123 723	3 598 079
Other income	203 607	257 775
Interest received - investment	1 729 419	1 820 125
	<b>17 410 631</b>	<b>17 730 746</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue - Property rates	20 010 884	14 572 846
Transfer revenue - Government grants & subsidies	182 145 339	177 221 330
Traffic Fines, penalties and forfeits	909 431	644 562
	<b>203 065 654</b>	<b>192 438 738</b>

### 22. Service charges

Sale of electricity	8 284 596	8 018 108
Refuse removal	2 218 413	1 852 784
	<b>10 503 009</b>	<b>9 870 892</b>

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### 23. Rental of facilities and equipment

Premises	43 334	105 089
Cattle Grazing	211 371	351 404
Community Assets	<b>254 705</b>	<b>456 493</b>

### 24. Fines, Penalties and Forfeits

Traffic Fines	902 900	637 950
Illegal Connections Fines	6 459	6 612
Other Fines, Penalties and Forfeits	72	-
	<b>909 431</b>	<b>644 562</b>

### 25. Licences and permits (exchange)

Road and Transport	<b>3 123 723</b>	<b>3 598 079</b>
--------------------	------------------	------------------

### 26. Interest received - debtors

Property Rates	487 735	453 717
Service Charges	29 616	19 384
Waste Management	198 907	146 132
Electricity	196 520	447 615
	<b>912 778</b>	<b>1 066 848</b>

### 27. Commission Received

Commission Received	<b>683 390</b>	<b>660 534</b>
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The municipality only recognise 30% of its revenue billed for the year as commision received. The other 70% is offset against the CDM debtors as per the service level agreement between CDM and the municipality

### 28. Other income

Building Plan Approvals	15 474	21 804
Clearance certificates	13 118	8 248
Town Planning and servitudes	-	5 152
Skills development refund	144 437	152 738
Sundry income	17 530	40 582
Grave Fees	7 269	5 850
Library Membership fees	100	1 180
Town Planning Fees	5 679	3 956
Penalties	-	796
New Connections	-	3 836
Transaction handling fees	-	13 633
	<b>203 607</b>	<b>257 775</b>

### 29. Interest received - external investment

Interest revenue	<b>1 729 419</b>	<b>1 820 125</b>
Interest received - External investments		

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### 30. Property rates

#### Rates received

Residential	2 146 083	1 867 657
Commercial	1 619 278	1 683 724
State	14 843 900	9 714 363
Municipal	1 040	(7 344)
Small holdings and farms	1 394 562	1 308 779
Public service infrastructure	6 021	5 667
	<b>20 010 884</b>	<b>14 572 846</b>

#### Valuations

Residential	443 997 000	395 264 000
Commercial	120 201 000	100 228 000
State	454 884 000	669 209 000
Municipal	23 761 000	64 253 000
Small holdings and farms	1 847 800 000	1 640 644 000
Public service infrastructure	4 381 000	2 571 000
	<b>2 895 024 000</b>	<b>2 872 169 000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

### 31. Government grants and subsidies

#### Operating grants

Equitable share	142 577 970	128 183 867
Municipal Infrastructure Grant	1 751 670	1 749 815
FMG - Finance Management Grant	2 400 849	2 177 330
Community Waste collection	-	43 490
Audit Community Facilities	-	35 200
CDM - Mogwadi Community Hall	-	32 435
Expanded Public Works Program	1 167 000	1 101 000
Covid 19 Grant	338 076	-
	<b>148 235 565</b>	<b>133 323 137</b>

#### Capital grants

MIG - Municipal infrastructure grant	33 909 774	43 126 493
Municipal System Improvement Grant	-	771 700
	<b>33 909 774</b>	<b>43 898 193</b>
	<b>182 145 339</b>	<b>177 221 330</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	39 567 369	49 037 463
Unconditional grants received	142 577 970	128 183 867
	<b>182 145 339</b>	<b>177 221 330</b>

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### 31. Government grants and subsidies (continued)

#### Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	1 616 693	2 787 792
Current-year receipts	35 151 000	46 493 000
Conditions met - transferred to revenue	(1 751 670)	(1 749 815)
Other	(33 909 774)	(43 126 493)
Adjustments/Returned to National revenue fund	-	(2 787 792)
	<b>1 106 249</b>	<b>1 616 692</b>

Conditions still to be met - remain liabilities (see note 15).

#### Finance Management Grant

Balance unspent at beginning of year	225 669	78 040
Current-year receipts	2 403 000	2 403 000
Conditions met - transferred to revenue	(2 400 849)	(2 177 330)
Adjustments/Returned to National revenue fund	(225 670)	(78 041)
	<b>2 150</b>	<b>225 669</b>

Conditions still to be met - remain liabilities (see note 15).

Finance management grant received with conditions to be met. The money returned to the national revenue fund is because the municipality did not appoint the intern timously.

#### CDM - Mogwadi Community Hall

Balance unspent at beginning of year	-	32 435
Conditions met - transferred to revenue	-	(32 435)
	-	-

CDM - Mogwadi Community Hall grant received with conditions met.

#### Community Waste collection

Balance unspent at beginning of year	-	43 490
Conditions met - transferred to revenue	-	(43 490)
	-	-

Community waste collection grant received with conditions met.

#### Audit Community Facilities

Balance unspent at beginning of year	-	35 200
Conditions met - transferred to revenue	-	(35 200)
	-	-

Audit committee facilities grant received with conditions met.

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**31. Government grants and subsidies (continued)**

**Integrated Transport Plan**

Balance unspent at beginning of year	108 614	108 614
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Conditions still to be met - remain liabilities (see note 15).

Integrated transport plan grant received with conditions to be met.

**Expanded Public Works Program**

Current-year receipts	1 167 000	1 101 000
Conditions met - transferred to revenue	(1 167 000)	(1 101 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Expanded public works program grant received with conditions met.

**Municipal Demarcation grant**

Balance unspent at beginning of year	-	1 191 034
Conditions met - transferred to revenue	-	(1 191 034)
	-	-

Grant received in respect of the demarcation of Aganang Municipality. The money returned to the National Revenue fund was because there were no committed projects for the grant at 30 June 2018

**MSIG**

Balance unspent at beginning of year	283 300	-
Current-year receipts	-	1 055 000
Conditions met - transferred to revenue	-	(771 700)
Other	(283 300)	-
	-	283 300

Conditions still to be met - remain liabilities (see note 15).

**COVID 19 Relief fund**

Current-year receipts	358 000	-
Conditions met - transferred to revenue	(338 076)	-
	19 924	-

Conditions still to be met - remain liabilities (see note 15).

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### 32. Employee related costs

Basic Salary	53 045 440	48 863 411
PMU - MIG Salaries	1 709 823	1 447 081
Bonus	5 333 456	5 018 154
Medical aid - company contributions	4 127 159	3 717 805
UIF	296 950	292 097
Interns Salaries: FMG	419 386	299 030
Leave pay provision charge	2 399 744	153 669
Defined contribution plans	(1 341 120)	3 079 499
Travel, motor car, accommodation, subsistence and other allowances	5 168 038	4 791 826
Overtime payments	582 201	638 778
Long-service awards	532 895	346 236
Acting allowances	311 137	307 401
Housing benefits and allowances	194 793	162 196
Standby allowance	287 718	247 378
Laptop Allowance	471 501	450 079
Pension Funds - Company contribution	9 577 799	8 869 656
Telephone/Cellphone Allowance	1 107 676	1 166 703
Industrial/Bargaining Council	18 009	16 801
	<b>84 242 605</b>	<b>79 867 800</b>

### Remuneration of municipal manager

Annual Remuneration	856 125	820 016
Motor car , housing and other allowances	388 035	382 736
	<b>1 244 160</b>	<b>1 202 752</b>

The Municipal Manager is appointed on a 4years fixed contract starting 1 March 2018.

### Remuneration of Chief Finance Officer

Annual Remuneration	725 340	467 997
Motor car , housing and other allowances	354 659	243 592
Bonus	49 074	-
Acting . Nkalanga	-	46 471
	<b>1 129 073</b>	<b>758 060</b>

The CFO is appointed on a 5 year contract starting on 01 September 2018.

### Remuneration of Manager - Technical Services

Annual Remuneration	807 200	608 562
Motor car , housing and other allowances	365 105	292 310
	<b>1 172 305</b>	<b>900 872</b>

The Manager Techhnical Services is appointed on a 5 year contract 1 April 2018

### Remuneration of Manager Corporate Services

Annual Remuneration	728 541	684 525
Motor car , housing and other allowances	256 690	274 494
Bonus	60 712	-
	<b>1 045 943</b>	<b>959 019</b>

The Manager Corporate Services was appointed on a 5 year contract starting 01 April 2018.

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<b>32. Employee related costs (continued)</b>		
<b>Remuneration of Manager - Community Services</b>		
Annual Remuneration	775 860	507 135
Motor car , housing and other allowances	354 659	243 592
	<b>1 130 519</b>	<b>750 727</b>
The Manager Community Services was appointed on a 5 year contract starting 01 September 2018.		
<b>Remuneration of Manager - Local Economic Development</b>		
Annual Remuneration	-	414 623
Motor car , housing and other allowances	-	100 000
Acting : Mashotja	-	9 078
Leave Pay	-	109 626
	<b>-</b>	<b>633 327</b>
The Manager Local Economic Development was appointed on a 5 year contract which ended on 30 November 2018.		
<b>33. Remuneration of councillors</b>		
Executive Mayor	914 923	880 813
Chief Whip	699 710	673 877
Mayoral Committee Members	3 648 460	3 135 997
Speaker	742 752	715 263
Councillors	6 910 858	6 959 512
	<b>12 916 703</b>	<b>12 365 462</b>
<b>34. Depreciation and amortisation</b>		
Property, plant and equipment	15 410 835	11 415 814
Investment property	43 333	43 333
Intangible assets	908 264	818 014
Impairment of Assets	30 034	-
	<b>16 392 466</b>	<b>12 277 161</b>
<b>35. Finance costs</b>		
Finance Lease - Interest Paid	115 716	180 824
Other - Interest Paid	10 797	13 220
Fruitless and wastefull expenditure - Interest Paid	127 550	40 916
	<b>254 063</b>	<b>234 960</b>
<b>36. Debt impairment</b>		
Debt impairment - Traffic Fines	562 210	103 413
Debt impairment - Provision	4 803 080	3 818 262
Debt impairment - provision - CDM	446 635	572 572
	<b>5 811 926</b>	<b>4 494 247</b>

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<b>37. Bulk purchases</b>		
Electricity - Eskom	10 107 196	<u>9 046 417</u>
<b>38. Contracted services</b>		
<b>Outsourced Services</b>		
Administrative and Support Staff	12 268 704	12 121 617
<b>Consultants and Professional Services</b>		
Business and Advisory	7 280 571	5 591 440
<b>Contractors</b>		
Maintenance - property plant and equipment	6 280 208	7 692 032
Catering Services	522 006	130 755
Employee Wellness	524 977	1 787 049
	<u>26 876 466</u>	<u>27 322 893</u>
<b>39. General expenses</b>		
Accommodation and meals	4 168 827	6 339 019
Advertising	640 933	773 663
Advertising : Recruitment	106 058	236 975
Auditors remuneration	3 313 350	2 815 462
Bank charges	244 036	220 371
Bill: Municipal Electricity	-	1 343
Commission paid	1 339 840	956 926
CDM Commission expense	612 693	362 680
Cleaning Materials	593 131	627 946
Bursaries Employees	398 736	508 548
Servitude and land surveys	495 652	-
Transport - events	352 560	-
Entertainment	9 032	11 130
Plant Hire	-	6 000
Insurance - General	611 845	660 751
Ward Committee Expenses	2 287 564	1 897 000
Environmental & Waste Management	1 218 232	1 261 554
Free Basic Electricity	4 506 826	2 598 961
Fuel and Oil: Municipal Fleet	2 246 401	2 670 887
Fuel and Oil: Other	1 992	4 638
Postage and Telephone	366 962	643 457
Printing, Publication & Marketing	765 223	852 342
Protective clothing	1 158 561	579 753
Licences - Vehicles	139 102	116 702
Internship programme	250 989	503 654
Membership Fees	6 469	5 077
Township establishment	681 011	449 728
Training SMME	13 575	170 050
Affiliation & Membership Fees : SALGA	914 865	859 190
Departmental : Water	-	25 801
Subscriptions and Systems Licensing	1 619 778	1 609 888
Training and Conferences	1 844 333	2 449 939
Public Participation	465 322	1 584 196
RAL Roads expenditure	-	12 574 190
Computer Software Rental	-	1 235 156
Municipal: Internal Billing	-	90 098
Rehabilitation cost	167 533	257 469
Rental Office Machines : Usage	140 230	76 146
Tracking device system	81 894	94 207

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<b>39. General expenses (continued)</b>		
Stationery	1 030 995	1 164 689
Skills development Levy	641 510	659 824
	<b>33 436 060</b>	<b>47 955 410</b>

**40. Related Parties**

**Relationships**

1. Controlled by the same government - legislatively (MFMA Act) Capricorn District Municipality (CDM)

The municipality is involved in an agency relationship with Capricorn District Municipality for the provision of water services.

The following balances relate to Related party CDM

**Unspent Grants - by related parties**

CDM - Mogwadi Community Hall	-	32 435
Community waste collection	-	43 490
Audit community facilities	-	35 200
	<b>-</b>	<b>111 125</b>

The balance relates to the unspent Grant received from Capricorn District Municipality for the year ended 30 June 2018 and 30 June 2017. The grants were fully spent in the current year.

**Amounts included in Trade receivable (Trade Payable) regarding related parties**

Capricorn District Municipality (CDM) - Water	-	-
Capricorn District Municipality (Commission)	(742 017)	(983 031)
	<b>(742 017)</b>	<b>(983 031)</b>

**Commission received from related parties - CDM**

Capricorn District Municipality (Commission)	683 390	660 534
	<b>683 390</b>	<b>660 534</b>

2. Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents

**Compensation to accounting officer and other key management**

Remuneration	18 638 704	17 514 671
	<b>18 638 704</b>	<b>17 514 671</b>

**Key management information**

<b>Remuneration of Municipal Manager</b>	856 125	820 016
Annual Remuneration	388 035	382 736
Motor Car , Housing and other allowances	-	-
Acting M M : Ramogale	-	-
	<b>1 244 160</b>	<b>1 202 752</b>

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### 40. Related Parties (continued)

Remuneration of Chief Financial Officer	725 340	467 997
Annual Remuneration	354 659	243 592
Motor Car , Housing and other allowances	49 074	-
Bonus	-	-
	<b>1 129 073</b>	<b>711 589</b>

2020	Local Economic Development	Technical Services	Corporate Services	Community Services
Remuneration of individual Executive Directors				
Annual remuneration	-	807 200	728 541	775 860
Performance and other bonuses	-	-	60 712	-
Motor car, Housing , and other allowances	-	365 106	256 690	354 659
	<b>-</b>	<b>1 172 306</b>	<b>1 045 943</b>	<b>1 130 519</b>

2019	Local Economic Development (July to November 2019)	Technical Services	Corporate Services	Community Services (September 2018 to June 2019)
Remuneration of individual Executive Directors				
Annual Remuneration	414 623	608 562	684 525	507 135
Motor car, Housing , and other allowances	100 000	292 310	274 494	243 592
Leave Payout	109 627	-	-	-
	<b>624 250</b>	<b>900 872</b>	<b>959 019</b>	<b>750 727</b>

2020	914 922
Remuneration of Councillors	
Mayor (ME Paya) remuneration ,pension ,cellphone allowance and housing allowance	914 922
Speaker ( M S Moreroa) remuneration ,pension ,cellphone allowance and housing allowance	742 752
Chief Whip ( E M Rathaha) remuneration ,pension ,cellphone allowance and housing allowance	699 710
Councillors allowance and remuneration	<b>10 559 319</b>
	<b>12 916 703</b>

Related party per Councillor	Basic Salary	Allowances	Total 2020
ME Paya (Mayor)	645 644	269 278	914 922
MP Makgato			
M S Moreroa (Speaker)	516 516	226 236	742 752
E M Rathaha (Chief Whip)	484 235	215 475	699 710
P T Rathete (MPAC)	262 214	129 105	391 319
M Tawana ( Exco)	270 145	131 747	401 892
N F Rampyapedi ( Exco)	484 235	203 111	687 346
M D Meso ( Exco )	270 145	131 747	401 892
N W Seakamela ( Exco)	484 235	203 111	687 346
D Lehong ( Exco )	484 235	203 111	687 346
D Matlou	204 323	109 807	314 130
N G Makgalo	204 323	109 807	314 130

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<b>40. Related Parties (continued)</b>		
Mp Makgato	204 323	109 807
C Matjee	204 323	109 807
A Makgoka	204 323	109 807
M Malema	204 323	109 807
M Duba( Section 79)	262 214	129 104
Kobo	204 323	109 807
P T Rakimane	204 323	109 807
M I Mohafe	204 323	109 807
R L Mpati	204 323	109 807
M J Manthata	204 323	109 807
P S Masoga	204 323	109 807
M J Leferela	204 323	109 807
N S Ramukhubedi	204 323	109 807
S E Kobola	204 323	109 807
T Raphaswana	204 323	109 807
L Moabelo	204 323	109 807
G M Sepheso	204 323	109 807
M D Marutha	204 323	109 807
M P Tloubatatla	204 323	109 807
S R Nakana	204 323	109 807
N MHopane	204 323	109 807
	<b>8 658 924</b>	<b>4 257 779</b>
		<b>12 916 703</b>

**2019**

#### Remuneration of Councillors

Mayor (ME Paya) remuneration ,pension ,cellphone allowance and housing allowance	880 813
Speaker ( M S Moreroa) remuneration ,pension ,cellphone allowance and housing allowance	715 263
Chief Whip (E M Rathaha) remuneration ,pension ,cellphone allowance and housing allowance	673 878
Councillors allowance and remuneration	<b>10 095 508</b>
	<b>12 365 462</b>

Related party per Councillor	Basic Salary	Allowances	Total 2019
ME Paya (Mayor)	620 812	260 001	880 813
MP Makgato	-	-	-
M S Moreroa (Speaker)	496 650	218 613	715 263
E M Rathaha (Chief Whip)	465 610	208 268	673 878
P T Rathete (MPAC)	252 128	124 743	376 871
M Tawana ( Exco )	259 754	127 285	387 039
N F Rampyapedi ( Exco )	465 610	195 904	661 514
M D Meso ( Exco )	249 206	124 818	374 024
N W Seakamela ( Exco )	465 610	195 904	661 514
D Lehong ( Exco )	465 610	195 903	661 513
D Matlou	196 464	106 188	302 652
N G Makgalo	196 464	106 188	302 652
Mp Makgato	196 464	106 188	302 652
C Matjee	196 464	106 188	302 652
A Makgoka	196 464	106 188	302 652
M Malema	196 464	106 188	302 652
M Duba	196 464	106 188	302 652
Kobo	207 009	109 705	316 714
P T Rakimane	196 464	106 188	302 652
M I Mohafe	196 464	106 188	302 652
R L Mpati	196 464	106 188	302 652

# Molemole Local Municipality

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## Notes to the Financial Statements

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<b>40. Related Parties (continued)</b>		
M J Manthata	196 464	106 188
P S Masoga	196 464	106 188
M J Leferela	196 464	106 188
N S Ramukhubedi	196 464	106 188
S E Kobola	196 464	106 188
T Raphaswana	194 439	106 188
L Moabelo	196 464	106 188
G M Sepheso	196 464	106 188
M D Marutha	196 464	106 188
M P Tloubatatla	196 464	106 188
S R Nakana	196 464	106 188
N MHopane	196 464	106 188
	<b>8 268 182</b>	<b>4 097 280</b>
	<b>12 365 462</b>	

### 41. Budget vs Actual comparison variances explanations above 5%

#### STATEMENT OF FINANCIAL PERFORMANCE

##### 41.1 Service Charges - Sale of Electricity

Electricity consumption was not realised as the usage level decreased due to the implementation of the smart split electricity meters which also had a positive impact on the customer electricity usage

##### 41.2 Rental of facilities and equipment

The budget amount was based on the actual amount received from the previous financial years while the recognised amount disclosed is based on GRAP1 (accrual base)

##### 41.3 Interest received - debtors

The budgeted amount on interest on interest on debtors was done based on the billing amount/billing transactions and movements excluding payment and the municipality has collected R12 852 980.59 in the current financial year which is almost 60% of the total billing excluding prepaid electricity and the revenue items

##### 41.4 Actuarial Gain on Valuation

The actuarial Gain in respect of post retirement benefits is included in the employee remuneration expense to be in line with the MSCOA chart and therefore no actuals under this line item.

##### 41.5 Licences & Permits

The non-functioning of the municipal traffic stations during lock-down lead a drastic decrease in the municipal traffic and licensing collection rate

##### 41.6 Other Income

The sale of stands processes were not finalised due to the limited amount of time caused by the pandemic (Covid-19) challenges.

##### 41.7 Interest received - external investment

The Municipality had less excess cash to invest as expected

##### 41.8 Traffic Fines, penalties and forfeits

The budgeted amount was inclusive of the savings realised from the projects which were not fully completed in the previous financial years. The outstanding amount in on the initial projects was categories under forfeits during the budgeted processes

##### 41.9 Employee Related Cost

Vacant post not filled

##### 41.10 Remuneration of Councillors

The municipality budgeted for councillors using the CPI plus 1.5% during the 2019/20 budget the increase was 7%. The municipality was unable to adjust during the adjustment budget as the upper limits gazette

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### 41. Budget vs Actual comparison variances explanations above 5% (continued)

was not issued in April 2020 and the finalisation of payments done in June 2020.

#### 41.11 Finance cost

Interest cost for post retirement benefits were reclassified to employee related cost and therefore the actual expenditure less than budget

#### 41.12 Debt Impairment

Impairment budget was only inclusive of municipal service related debtors excluding cdm impairment

#### 41.13 Contracted Services

The contracted services expenditure is much less than budget because of the COVID 19 pandemic which led to closing of offices for 4months of the year.

#### 41.14 General Expenses

The contracted services expenditure is much less than budget because of the COVID 19 pandemic which led to closing of offices for 4months of the year.

### 42. Cash generated from operations

Surplus for the year	30 277 330	15 054 595
<b>Adjustments for:</b>		
Depreciation, amortisation and impairment	16 392 466	12 277 161
(Gain) / loss on sale of assets and liabilities	161 471	1 550 539
Movements in non current provisions and retirement benefit liabilities	(848 799)	2 234 674
Movements in current provisions and retirement benefits	1 647 975	711 525
<b>Changes in working capital:</b>		
Inventories	(66 821)	(33 524)
Receivables from exchange transactions	584 707	225 541
Other receivables from non-exchange transactions	(10 687 938)	(6 149 578)
Payables from exchange transactions	6 301 563	964 237
VAT	(606 346)	(2 644 190)
Unspent conditional grants and receipts	(997 338)	(2 042 331)
Consumer deposits	1 350	600
Other current liability	24 265	(645 058)
	<b>42 183 885</b>	<b>21 504 191</b>

### 43. Cashflow Statement Receipts - Sale of goods and services

Service Charges - Electricity	8 284 596	8 018 108
Service Charges - Refuse removal	2 218 413	1 852 784
Interest earned - Outstanding debtors	912 778	1 066 848
Commission Received	683 390	660 534
Property Rates	20 010 884	14 572 846
Traffic Fines, penalties and forfeits	909 431	644 562
Rental of facilities and equipment	254 705	456 493
Licenses and permits	3 123 723	3 598 079
Other Income	203 607	257 775
Movement in receivables from exchange transactions	584 707	286 691
Movement in receivables from non exchange transactions	(10 687 938)	(6 149 578)
Provision for Bad Debts	(5 811 925)	(4 494 247)
Movements in Consumer deposits	1 350	600
	<b>20 687 721</b>	<b>20 771 495</b>

### 44. Cashflow Statement Receipts - Grants

Government grant and subsidies	182 145 339	177 221 330
Movements in Unspend conditional grants	(997 338)	(2 042 330)

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<b>44. Cashflow Statement Receipts - Grants (continued)</b>	<b>181 148 001</b>	<b>175 179 000</b>
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**45. Cashflow Statement Payments - Suppliers**

Employee related costs	(84 242 605)	(79 867 800)
Remuneration of councillors	(12 916 703)	(12 365 462)
Bulk Purchases	(10 107 196)	(9 046 417)
Contracted services	(26 876 466)	(27 322 893)
General Expenses	(33 436 060)	(47 955 410)
Movements in Payables from exchange transactions	6 301 563	903 861
Movements in VAT receivable	(606 346)	(2 644 190)
Movements in Other current liability	24 265	(645 058)
Movements in Employee Benefit - Current	1 647 975	(161 081)
Movement in Employee Benefit - Non Current	(1 379 514)	2 395 755
Movement in Provisions - Non current	530 715	711 525
Movement in Inventories	(66 821)	(33 524)
	<b>(161 127 193)</b>	<b>(176 030 694)</b>

**46. Financial instruments disclosure**

**Categories of financial instruments**

Financial Assets	Classification	2020	2019
Investments		-	-
Fixed Deposit	Held to maturity	-	-
<b>Consumer Debtors</b>			
Trade receivables from exchange transactions	Financial instruments at amortised cost	2 948 813	3 533 520
Trade receivables from non-exchange transactions	Financial instruments at amortised cost	73 012 570	62 324 632
Call Deposits	Financial instruments at amortised cost	20 769 232	19 371 738
<b>Bank Balances and Cash</b>			
Cash Floats and Advances	Financial instruments at amortised cost	13 500	1 471
<b>Summary of Financial Assets</b>		<b>- 96 744 115</b>	<b>85 231 361</b>

Financial Liability	Classification	2020	2019
<b>Long-term Liabilities</b>			
Finance Lease Liability	Financial instruments at amortised cost	-	251 676
<b>Trade Payables</b>			
Trade Creditors	Financial instruments at amortised cost	27 758 072	21 456 509
<b>Current Portion of Long-term Liabilities</b>			
Finance Lease Liability	Financial instruments at amortised cost	251 668	261 630
<b>Summary of Financial Liability</b>		<b>- 28 009 740</b>	<b>21 969 815</b>

**47. Profit/(Loss) on disposal of Assets**

Loss on sale of council assets via auction	-	1 491 946
(Profit) / Loss on write-off of council assets as per council resolution	161 471	58 593
	<b>161 471</b>	<b>1 550 539</b>

**48. Commitments**

**Capital Commitments**

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**48. Commitments (continued)**

<b>Already contracted for but not provided for</b>		
▪ Property, plant and equipment	1 397 242	2 461 739
	<b>1 397 242</b>	<b>2 461 739</b>

**This expenditure will be financed from:**

- Goverment grants	-	2 461 739
▪ Contributions from operating revenue	1 397 242	-
	<b>1 397 242</b>	<b>2 461 739</b>

**Operating Commitments**

<b>Already contracted for but not provided for</b>		
▪ Operating Expenditure	16 778 785	28 412 846
	<b>16 778 785</b>	<b>28 412 846</b>

**This expenditure will be financed from:**

- Own Revenue	15 622 936	28 412 846
	<b>15 622 936</b>	<b>28 412 846</b>

**Total commitments**

Capital Commitments	1 397 242	2 461 739
Operating Commitments	15 622 936	28 412 846
	<b>17 020 178</b>	<b>30 874 585</b>

**49. Contingencies**

Contingent Liability	4 460 442	4 526 269
Contingent Asset	2 997 550	2 997 550

For more information see supplementary schedule 2 attached

**50. Change in estimate**

**Property, plant and equipment**

The useful life of certain other property plant and equipment was estimated in 2019 to be 5 years. In the current period management have revised their estimate to 7 years. The effect of this revision has decrease the depreciation charges for the current period by R 730 944 and increase the future periods by R 730 944

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### 51. Prior period errors

The correction of the error(s) results in adjustments as follows.

## Statement of Financial Position

Description	Balance as previously presented	Prior period error	Reclassified	Restated balance
Receivables from exchange transactions	3 975 419	(441 899)	-	3 533 520
VAT receivable	14 113 349	(55 897)	-	14 057 452
Cash and cash equivalents	19 373 721	(512)	-	19 373 209
Intangible assets	2 362 394	(1 235 156)	-	1 127 238
Payables from exchange transactions	21 885 052	(428 543)	-	21 456 509
Other current liability	1 663 337	(1 567 831)	-	95 506
Employee benefit obligation	9 011 188	(3 674)	-	9 007 514
Accumulated surplus	247 909 581	266 584	-	248 176 165
 <b>Receivables from exchange transactions - Note 9</b>				
Amount received from National Treasury allocated to debtor (National Treasury)				(498 600)
Skills development levy overpaid to SARS now reversed				56 700
Nett movement in exchange from				<u>(441 900)</u>
 <b>Vat Receivable - Note 11</b>				
Reversal of vat on over provision for Eskom accruals in 2019				(55 897)
 <b>Cash and Cash Equivalents - Note 12</b>				
Material and stores Petty cash expenditure not accounted for in 2019				(511)
 <b>Intangible Assets - Note 5</b>				
Rental of computer software was incorrectly recognised as Capital now reallocated to operating				(1 235 156)
 <b>Payables from exchange transactions - Note 19</b>				
Reversal of bulk purchases over provision for Eskom accruals in 2019				(428 543)
 <b>Other current Liabilities - Note 17</b>				
Unallocated receipts older than 2 years now recognized to accumulated surplus				(1 069 231)
Amount received from National Treasury allocated to debtor (National Treasury)				<u>(498 600)</u>
Net Movement				<u>(1 567 831)</u>
 <b>Employee benefit obligation - Note 16</b>				
Actuarial expenditure not accounted for				3 674
 <b>Accumulated Surplus - 2018</b>				
Balance previously reported				232 052 339
Unallocated receipts older than 2 years now recognized to accumulated surplus				1 069 231
Actuarial expenditure not accounted for				<u>-</u>
Restated Balance				<u>233 121 570</u>

## Statement of Financial Performance

Description	Balance as previously presented	Prior period error	Reclassified	Restated balance
 <b>Expenditure</b>				
Employee related costs	(77 414 635)	-	(2 453 165)	(79 867 800)
Finance costs	(1 154 598)	-	919 638	(234 960)
Bulk purchases	(9 419 063)	372 646	-	(9 046 417)
Actuarial losses	(1 537 201)	-	1 537 201	-

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## Notes to the Financial Statements

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<b>51. Prior period errors (continued)</b>					
General Expenses	<u>(46 776 443)</u>	<u>(1 178 967)</u>			
	-	<u>(47 955 410)</u>			
 <b>Employee related costs - Note 32</b>					
Interest cost on actuarial valuation of Medical aid re-classified to finance cost instead of Employee cost as per MSCOA chart	(651 399)				
Actuarial loss of Medical aid Post retirement benefits re-classified to Actuarial loss instead of Employee cost as per MSCOA chart	(1 179 455)				
Interest cost on actuarial valuation of Long service awards re-classified to finance cost instead of Employee cost as per MSCOA chart	(268 239)				
Actuarial loss of Long service awards re-classified to Actuarial loss instead of Employee cost as per MSCOA chart	(357 746)				
Post retirement medical aid expenditure double accounted for now reversed	3 674				
Total amount re-classified	<u>(2 453 165)</u>				
 <b>Finance costs - Note 35</b>					
Interest cost on actuarial valuation of Medical aid re-classified to finance cost instead of Employee cost as per MSCOA chart	651 399				
Interest cost on actuarial valuation of Long service awards re-classified to finance cost instead of Employee cost as per MSCOA chart	268 239				
Total amount re-classified	<u>919 638</u>				
 <b>Bulk Purchases - Note 37</b>					
Eskom electricity purchases over accrual as part of creditors	372 646				
 <b>Actuarial Loss - Note 46</b>					
Actuarial loss of Medical aid Post retirement benefits re-classified to Actuarial loss instead of Employee cost as per MSCOA chart	1 179 455				
Actuarial loss of Long service awards re-classified to Actuarial loss instead of Employee cost as per MSCOA chart	357 746				
Total amount re-classified	<u>1 537 201</u>				
 <b>General Expenses - Note 39</b>					
Rental of computer software was incorrectly recognised as Capital now reallocated to operating	(1 235 156)				
Material and stores Petty cash expenditure not accounted for in 2019	(511)				
Skills development levy overpaid to SARS now reversed	56 700				
Net Movement	<u>(1 178 967)</u>				
 <b>Cashflow Statement</b>					
<b>Description</b>	<b>Note nr</b>	<b>Balance as previously presented</b>	<b>Prior period error</b>	<b>Reclassified</b>	<b>Restated balance</b>
Sale of goods and services	43	20 272 896	498 599	-	20 771 495
Suppliers	45	(173 376 787)	(1 734 269)	(919 638)	(176 030 694)
Finance costs	35	(1 154 598)	-	919 638	(234 960)
Purchase of other intangible assets	5	(1 235 156)	1 235 156	-	-
Cash and cash equivalents at the end of the year	12	19 373 721	(512)	-	19 373 209
 <b>Sale of goods and services - Note 43</b>					
Balance previously reported					(211 908)
Amount received from National Treasury allocated to debtor (National Treasury)					498 600
Restated Balance - Movement in receivables from exchange transactions					<u>286 691</u>
 <b>Cashflow Statement Payments - Suppliers - Note 46</b>					

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<b>51. Prior period errors (continued)</b>				
<b>Description</b>	<b>Balance as previously presented</b>	<b>Prior period error</b>	<b>Reclassified</b>	<b>Restated balance</b>
Employee related costs	(77 414 635)	-	(2 453 165)	(79 867 800)
Actuarial (Gains)/Loss	(1 537 201)	-	1 537 201	-
Bulk Purchases	(9 419 063)	372 646	-	(9 046 417)
General Expenses	(46 776 443)	(1 178 967)	-	(47 955 410)
Movements in Payables from exchange transactions	1 392 780	(488 919)	+	903 861
Movements in VAT receivable	(2 700 087)	55 897	-	(2 644 190)
Movements in Other current liability	(146 458)	(498 600)	-	(645 058)
<b>Nett Movement in Suppliers</b>	<b>-</b>	<b>(1 737 943)</b>	<b>(915 964)</b>	<b>-</b>
Intangible asset under development (Note5)				1 235 156
Balance previously reported				<u>(1 235 156)</u>
Rental of computer software was incorrectly recognised as Capital now reallocated to operating				<u>-</u>
<b>Restated Balance</b>				<u><u>-</u></u>
<b>Cash and cash equivalents - Petty Cash (Note12)</b>				1 983
Balance previously reported				<u>(511)</u>
Material and stores Petty cash expenditure not accounted for in 2019				<u>1 472</u>
<b>Restated Balance</b>				<u><u>1 472</u></u>
<b>Capital commitments (Note 48)</b>				4 146 311
Balance previously reported				<u>(1 328 071)</u>
Rental of performane management system incorrectly capitalised now transferred to operating commitments				<u>(356 500)</u>
Rental of Traffic management system incorrectly capitalised now transferred to operating commitments				<u>2 461 740</u>
<b>Restated Balance</b>				<u><u>2 461 740</u></u>
<b>Operating commitments (Note 48)</b>				27 784 305
Balance previously reported				<u>(1 056 031)</u>
Amount incorrectly captured as part commitments				<u>1 328 071</u>
Rental of performane management system incorrectly capitalised now transferred from capital commitments				<u>356 500</u>
Rental of Traffic management system incorrectly capitalised now transferred from capital commitments				<u>28 412 845</u>
<b>Restated Balance</b>				<u><u>28 412 845</u></u>
<b>52. Risk management</b>				
<b>Liquidity risk</b>				
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.				
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.				
The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.				
<b>At 30 June 2020</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	27 758 072	-	-	-
Other financial liabilities	119 771	-	-	-

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### 52. Risk management (continued)

At 30 June 2019

Trade and other payables  
Other financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	21 456 509	-	-	-
Other financial liabilities	95 506	-	-	-

#### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies. Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors.

Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

#### Balances past due not impaired

Non-Exchange Receivables	2020 Percentage	2020 Amount	2019 Percentage	2019 Amount
Rates	100%	92 898 793	100%	79 212 050
	100%	<b>92 898 793</b>	100%	<b>79 212 050</b>

#### Exchange Receivables

Exchange Receivables	2020 Percentage	2020 Amount	2019 Percentage	2019 Amount
Electricity	24 %	3 607 562	26	3 401 310
Refuse	72	10 997 469	69	8 987 795
Other	5	705 274	5	610 576
	100%	<b>15 310 305</b>	100%	<b>12 999 681</b>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note & of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 10% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

Non-Exchange Receivables	2020 Percentage	2020 Amount	2019 Percentage	2019 Amount
Rates	100%	21 639 065	100%	18 575 247
	100%	<b>21 639 065</b>	100%	<b>18 575 247</b>

#### Exchange Receivables

Exchange Receivables	2020 Percentage	2020 Amount	2019 Percentage	2019 Amount
Electricity	24	3 134 981	26	2 966 011
Refuse	72	9 556 832	69	7 837 541

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<b>52. Risk management (continued)</b>		
Other	5      612 885	5      532 435
	<u>100%</u> <u>13 304 698</u>	<u>100%</u> <u>11 335 987</u>

The municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (NEDBANK). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

**Interest rate risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

**Foreign exchange risk**

The municipality does not engage in foreign currency transactions.

**Price risk**

The municipality is not exposed to price risk

**53. Going concern**

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 278 453 495 and that the municipality's total liabilities exceed its assets by R 326 148 511.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality to remain in force for so long as it takes to restore the solvency of the municipality.

**54. Events after the reporting date**

There are no material events after the reporting date which requires disclosure:

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### 55. Impact of COVID-19

The World Health Organisation declared the outbreak of COVID-19 a global pandemic during March 2020. As COVID-19 started to spread around the world governments implemented various measures to contain the spread of the virus. In many countries this resulted in the temporary closure of businesses and restrictions on the movement of people and goods. The pandemic has had a significant impact on the global economy in terms of growth and unemployment. Like many countries South Africa has implemented lockdown regulations to curb the spread of Covid-19.

The South African government declared a nationwide lockdown with effect from 26 March 2020, requiring all non-essential businesses to close temporarily. South African lockdown regulations have since been relaxed and many parts of the economy were allowed to reopen from 1 May 2020, including the Local Government's limited operations. Under the Stage 5 lockdown which was in place from 26 March 2020 to 1 May 2020, the operations of the Municipality, apart from that of essential services was shut down.

During this shutdown, the Municipality's operations largely came to a halt and the operations were not fully operational other than deploying a limited number of employees into the system, although the Municipality still paid the staff's salaries. It is of course impossible to predict when normality will return, and when the country will be able to re-commence normal economic activities. The Municipality has been affected with regards to lost collection of revenue for the services the Municipality provided to the communities. This was as a result of economic hardships caused by an increased unemployment rate.

The Municipality acted swiftly and decisively to mitigate the impact of COVID-19 on its operations, including steps to reduce operational expenditure and conserve cash, access available government support schemes, and to minimise the disruption of account collections. In addition, strict COVID-19 protocols have been implemented across all areas of operation to ensure the safety of employees and customers. Notwithstanding these measures, the pandemic has had a severe impact on the Municipality's performance for the current period, most notably on revenue generation.

These impacts are covered in more detail throughout the annual financial statements. The impact of the pandemic on the Municipality's significant judgements and estimates applied in the preparation of its financial statements is discussed in the notes. While the uncertainty around COVID-19 is expected to continue for many months to come, the Municipality's strong balance sheet and ability to manage margins and costs effectively positions it to succeed in these challenging times.

### 56. Unauthorised expenditure

Opening balance	8 835 388	1 433 680
Add: Expenditure identified - current	-	8 835 388
Less: Written off by council	(8 835 388)	(1 433 680)
<b>Closing balance</b>	<b>-</b>	<b>8 835 388</b>

#### Analysis of unauthorised expenditure written off by council per category

Depreciation and asset impairment	4 128 585
Materials and bulk purchases	1 619 063
Loss on disposal of assets and liabilities	1 550 539
Actuarial Loss	1 537 201
<b>Closing balance</b>	<b>8 835 388</b>

### 57. Fruitless and wasteful expenditure

Opening balance	40 916	240 982
Add: Expenditure identified - current	127 550	40 916
Less: Amount written off - prior period	(40 916)	(240 982)
Less: Amount written off - current year	(127 550)	-
<b>Closing balance</b>	<b>-</b>	<b>40 916</b>

The fruitless and wasteful expenditure for the current year relates to interest paid on late payments.

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### 57. Fruitless and wasteful expenditure (continued)

#### Analysis of fruitless and wastefull expenditure written off by council per category

Interest charged on late payments	(168 466)	-
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### 58. Irregular expenditure

Opening balance as previously reported	-	3 519 568
Add: Irregular Expenditure - current	1 814 517	-
Less: Amount written off by council	(1 814 517)	(3 519 568)
<b>Closing balance</b>	-	-

#### Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 1 814 517 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Different Interpretation of the MFMA SCM regulation section 38(b) (1)	1 814 517	-
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### 59. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	914 865	859 190
Amount paid - current year	(914 865)	(859 190)
	-	-

#### Audit fees

Current year subscription / fee	3 362 785	3 173 130
Amount paid - current year	(3 362 785)	(3 173 130)
	-	-

#### PAYE and UIF

Current year subscription / fee	16 073 822	14 350 814
Amount paid - current year	(14 570 941)	(14 350 814)
	1 502 881	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	13 704 956	12 624 872
Amount paid - current year	(12 775 619)	(12 624 872)
	929 337	-

#### VAT

VAT receivable	14 663 798	14 113 349
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All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

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**Notes to the Financial Statements**

Figures in Rand	2020	2019
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**59. Additional disclosure in terms of Municipal Finance Management Act (continued)**

During the year from July 2019 to June 2020 year no Councillors had arrear accounts outstanding for more than 90 days because most of the councillors are staying in rural areas.

**Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

<b>Incident</b>		
Sole supplier	2 330 629	3 769 473
	<b>2 330 629</b>	<b>3 769 473</b>

The detailed deviation register is available in the municipality for review.

**60. Distribution Losses**

**Electricity Distribution Losses (Units)**

Units Purchased	6 910 093	7 366 690
Units Sold	4 882 386	5 360 169
Units Loss	2 027 708	2 006 520
Percentage distribution Loss	29%	27%

**Electricity Distribution Losses (Rand)**

Electricity Purchased	10 107 19	9 419 063
Electricity Sold	8 284 59	8 018 108
Electricity Loss	1 822 60	1 400 955
Percentage distribution loss	18	15%

# Molemole Local Municipality

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## Notes to the Financial Statements

Figures in Rand				2020	2019	
Name of Legal Rep	Litigation	Nature of Dispute	Nature of Dispute	Progress	Projected Estimates June 2020	Projected Estimates June 2019
<b>1. Schedule of Contingent Liabilities - Refer Note 38</b>						
SC Mdhluli Attorneys Tel : 015 291 5440	NFM Consulting	NFM claiming R447 000 for work done and interdicting the Municipality against appointment of Consultant on Ramokgopa-Eiselen Road	Pending	The Municipality opposed the application and the matter is pending	447 000	447 000
SC Mdhluli Attorneys 015 291 5440	Sinthumule Nkhumeleni	Claim for unlawful confiscation and impounding of the Plaintiffs vehicle alleging lack of necessary permit. The Plaintiff is claiming loss of income of R 100,000, plus 9% interest per annum and cost of suit.	Pending	Pleading Closed	100 000	100 000
SC Mdhluli Attorneys 015 291 5440 Fax 086 561 66 38 email : mdhluli@scmd hliattorneys.co.za	Rambuda Ndithsheni Joseph	Claim for unlawfull confiscation and impounding of the Plaintiffs vechile alleging lack of necessary permit . The plaintiff claiming loss of income of R100000 plus 9 % interest per annum and cost of suit	Pending	Pleadings Closed	100 000	100 000
AM Carrim Attorneys 015 293 1700	Badau Film & Video production	Claim for damages of and loss of income amounting to R1 560 841-10 after The Plaintiff hired the Ramokgopa Stadium for an event and the event could not take place due to the unavailability of electricity	Pending	Pre-Trial Conference attended and matter has been dormant	1 560 841	1 560 841
Manager Legal Services	SAMRO	Received demand of payment from SAMRO with regard to annual fees in terms of Copyright Act in view of the demand from SAMRO	Matter prescribed	Responded to demand by denying liability	0	87 247
SC Mdhluli Attorneys 015 291 5440	Hlako	Action Counter claim on recovery of undue performance bonus after Mr Hlako as the municipal Manager unduly paid himself the performance bonus	Pending	Had a consultation with Instructed Attorneys on issues of date and he advised that he will attend to make a fresh application for trial date in view of the current application taking forever	300 000	300 000

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**Supplementary Information**

Mohale Incorporated tel 015 291 3645	Sedima Business Enterprises	Served with simple summons based on failure to pay for work done after Plaintiff alleges that it entered into an SLA with the Municipality in January 2017 with regard to the Intergrated Transport Plan	Pending	attended court for trial on 15th June 2020 and the matter postponed to 7th and 8th September 2020	305 000	305 000
None	Pothole Cover	Letter of Demand on damages as a result of pothole on the road in the amount of R970	Responded to letter of Demand	Awaiting prescription to run on the 12th August 2020	970	970
None	Nkhotheleni Business Enterprise	Served a combined summons based on failure to pay for work done after plaintiff alleges that it was invited to submit a quotation for catering and decor for a municipal function though same was carried out without a work order	Pending	Plaintiff amending Summons and we are to plead thereafter	21 420	0
None	DG Department of Labour	Motions proceedings for mandatory order in the Labour Court due to failure by the Municipality to adhere to provisions of the Employment Equity Act and to futher penalise the municipality for an amount in the margin of R1500 000	Pending	Proceedings have been stayed to allow settlement discussions	1 500 000	1 500 000
None	Akani Retirement Administration Fund	Letter of Demand received a letter of demand from Joubert Attorneys on behalf of Akani Retirement Administration fund Demanding payment of payment of pension fund of a municipal employee	Pending	Matter to be argued before the Financial Services Tribunal on 29 July 2020	125 211	125 211
					4 460 442	4 526 269

\* See Note 51

**Molemole Local Municipality**  
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## **Supplementary Information**

### **2. Schedule of Contingent Assets (refer note 38)**

Name of Legal Rep	Litigation	Nature of Dispute	Status	Progress	Projected Estimates June 2020	Projected Estimates June 2019
SC Mdhluli Attorneys 015 - 291 5440	Hlako	Action-Recovery of undue performance bonus after Mr Hlako as the Municipal Manager paid himself the performance bonus	Pending	Had a consultation with the Instructed Attorney on issues of date and he advised that he will attend to make a fresh application for trial date in view of the current application taking forever	106 021	106 021
Mdhluli Attorneys 015 - 291 5440	Hlako	Action-Recovery of Rental and Eviction over a house that is owned by the municipality	Pending	Furnished Attorney with a copy of the deed search to assist with proving ownership of the house in question	100 000	100 000
Pratt Lytt & De Lange Attorneys 015 - 297 0186	Matebele Dinare	Municipality issued summons for recovery of unjustified enrichment	Pending	Parties in settlement talks	2 791 530	2 791 530
					2 997 550	2 997 550

\* See Note 51